

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 L-03 FRB-03 OMB-01  
ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00  
COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01  
STR-04 TRSE-00 CEA-01 SS-15 PA-01 PRS-01 NSC-05  
H-01 EUR-12 /107 W  
-----021456 231928Z /53

R 231301Z AUG 77  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 5566  
INFO USMISSION GENEVA  
USMISSION USUN NEW YORK

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E.O. 11652: N/A  
TAGS: ETRD, UNCTAD, IN  
SUBJECT: INDIAN GOALS FOR UNCTAD COMMON FUND:  
"OTHER MEASURES"

REF: NEW DELHI 5824

1. SUMMARY: S.P. SHUKLA, GOI OFFICIAL RESPONSIBLE FOR UNCTAD AND OTHER INTERNATIONAL TRADE ISSUES, WAS DISMAYED TO LEARN OF EXPLICIT USG OPPOSITION TO USE OF A COMMON FUND FOR COMMODITY MEASURES OTHER THAN BUFFER STOCKING. RESTRICTING COMMON FUND TO POOL ARRANGEMENT FOR BUFFER STOCKS, HE ARGUED, WOULD MAKE IT OF LITTLE USE IN MEETING ECONOMIC NEEDS OF DEVELOPING COUNTRIES -- PARTICULARLY IN VIEW OF US RELUCTANCE TO CONSIDER BUFFER STOCKING FOR MOST OF THE CCM-MODITIES IN THE INTEGRATED PROGRAM (MOST NOTABLE, FROM INDIA'S POINT OF VIEW, JUTE). GOI WOULD BE WILLING TO AGREE TO CAREFULLY DRAWN RESTRICTIONS ON "SECOND WINDOW" USES OF COMMON FUND, BUT FELT STRONGLY THAT FLEXIBILITY OF SUCH OTHER USES HAD TO BE ALLOWED FOR IN FUND'S CONSTITUTION TO  
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BE DRAWN UP AT NOVEMBER NEGOTIATION CONFERENCE. EMBASSY BELIEVES A FURTHER US INITIATIVE ON JUTE WOULD HAVE A MAJOR IMPACT ON INDIAN ATTITUDES. END SUMMARY

2. EMBOFF CALLED ON MINCOMMERCE JOINT SECRETARY S.P. SHUKLA AUGUST 16 TO REVIEW STATUS OF TALKS ON THE VARIOUS INTEGRATED PROGRAM COMMODITIES OF SPECIAL INTEREST TO INDIA, TO CHECK

ON STATUS OF INDIAN POLICY VIEWS, AND TO DELIVER COPY OF  
TREASURY ASSISTANT  
SECRETARY BERGSTEN'S SPEECH OF JUNE 27 ON  
CARTER ADMINISTRATION COMMODITY POLICY. HAS  
FLA HAS BEEN MADE TO  
SENIOR GOI OFFICIAL DEALING WITH INTERNATIONAL TRADE POLICY  
QUESTION BY RECENT TRANSFER TO HIM (FROM PREM KUMAR) OF  
RESPONSIBILITY FOR GATT, MTN AND MFA MATTERS, IN ADDITION  
TO HIS UNCTAD DUTIES. FORMER HEAD OF GOI PARIS CIEC DELE-  
GATION K.G. VAIDYA HAPPENED TO BE WITH SHUKLA WHEN EMBOFF  
ARRIVED AND REMAINED FOR CONVERSATION.

3. AFTER A PRELIMINARY EXCHANGE ON CARTER ADMINISTRA-  
TIONS TRADE LIBERALIZATION POLICIES IN THE CONTEXT OF RECENT  
DEVELOPMENTS IN THE MTN AND MFA, EMBOFF TURNED TO COMMODITY  
MATTERS, HANDING SHUKLA COPY OF BERGSTEN SPEECH. WITH-  
OUT LOOKING AT IT, SHUKLA ASKED, "WHAT DOES HE SAY ABOUT  
OTHER USES?" EMBOFF DREW HIS ATTENTION TO BERGSTEN'S STATE-  
MENTS, "THIS ADMINISTRATION...DOES NOT SUPPORT THE UNCTAD  
PROPOSAL FOR A \$6 BILLION FUND WHICH WOULD...(2) FINANCE  
MEASURES OTHER THAN BUFFER STOCKS...;" AND "FINANCIAL AC-  
TIVITIES (OF THE TYPE OF COMMON FUND WHICH WE CAN SUPPORT  
IN FUTURE NEGOTIATIONS) MUST APPLY ONLY TO BUFFER STOCKS,  
NOT TO OTHER COMMODITY-RELATED ACTIVITIES."

4. SHUKLA'S PROTEST WAS FORCEFUL AND EXTENSIVE. IF LIMITED  
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ACCORDING TO  
US DESIRE, SHUKLA ASKED HOW THE COMMON FUND  
COULD SIGNIFICANTLY SERVE THE NEEDS OF THE DEVELOPING COUN-  
TRIES, ESPECIALLY IN LIGHT OF THE US POSITION THAT BUFFER  
STOCKING WAS NOT A USEFUL DEVICE FOR THE TRADE PROBLEMS OF  
MOST COMMODITIES. EMBOFF REFERRED TO TIN, SUGAR AND RUBBER,  
AS WELL AS PROSPECTIVE STOCKING OF WHEAT, AND PROPOSALS  
FOR STOCKING IN TWO OR THREE OTHER INTEGRATED PROGRAM COM-  
MODITIES. SHUKLA REPLIED THAT SUGAR STABILIZATION FUND  
MERELY A COSMETIC DEVICE TO CONCEAL THE FACT THAT SUGAR  
STOCKING WILL BE PAID FOR BY EXPORTERS (AN ARGUMENT EXPOUNDED  
LAST WEEK BY GOI SUGAR OFFICIAL SRIDHARAN -- NEW DELHI 11468).  
HE DISMISSED WHEAT STOCKING AS NOT RELEVANT TO THE DISCUS-  
SION, AND CONCLUDED THAT THE DEVELOPING COUNTRIES WERE CON-  
CERNED ABOUT  
ALL OF THE UNCTAD COMMODITIES, NOT JUST THE FEW  
FOR WHICH BUFFER STOCKING WOULD BE AGREED TO BY IMPORTING  
COUNTRIES.

5. TURNING TO JUTE IN PARTICULAR, SHUKLA RECALLED THAT THE  
US WAS OPPOSED TO BUFFER STOCKING OF THIS COMMODITY. THE  
INDIAN GOVERNMENT HAD WELCOMED THE CONSTRUCTIVE US CONTRI-

BUTION TO THE JUTE TALKS, WHICH CENTERED ON PROBLEMS OF COST

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REDUCTION AND MARKET PROMOTION. BUT WHEN ASKED THE SOURCE OF THE FINANCING FOR THE PROGRAM IT WAS DESCRIBING, THE XAG DELEGATION HAD BEEN UNABLE TO ANSWER, SHUKLA SAID. THE SITUATION IN THE HARD FIBER THGOTIATIONS WAS SIMILAR. SHUKLA REMAINED UNCONVINCED THAT THE FINANCING OF COMMODITY AGREEMENTS WAS SO RELATIVELY SIMPLE -- COMPARED TO QUOTAS AND OTHER ISSUES -- AS THE US GOVERNMENT ARGUED.

6. EMBOFF EXPLAINED THAT USG COULD NOT PARTICIPATE IN THE CREATION OF AN INSTITUTION WHOSE ACTIVITIES, RESOURCE REQUIREMENTS AND IMPACT ON INTERNATIONAL TRADE WERE VIRTUALLY UNDEFINED AND OPENED ENDED. BOTH SHUKLA AND VAIDYA READILY CONCEDED THIS POINT. THEY SAID GOI WAS WILLING TO WORK TOWARDS FIXING CONTROLS ON FUNDS "SECOND WINDOW" OPERATIONS AT NOVEMBER CONFERENCE -- FOR EXAMPLE, BY REQUIRING CONCURRENCE OF INDIVIDUAL COMMODITY ORGANIZATION BEFORE DISBURSEMENT OF FUND RESOURCES. THEY FELT A SET OF OPERATING GUIDELINES OF THIS TYPE COULD BE DEVELOPED WHICH WOULD ELIMINATE OPEN-ENDED QUALITY OF SECOND WINDOW CONCEPT. IT WAS EVIDENT, THEY SAID, THAT SPECIFIC PROGRAMS FOR OTHER MEASURES

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DID NOT EXIST AT THIS STAGE AND IT WAS THUS IMPOSSIBLE TO ARGUE NOW FOR PROVISION OF FUNDS FOR CONCRETE PURPOSES. BUT GOI WAS ANXIOUS THAT SUCH USES NOT BE FORECLOSED, THAT COMMOND FUND RETAIN FLEXIBILITY TO MEET THESE NEEDS AS PROGRAMS COULD BE AGREED ON IN THE FUTURE, AND THAT CONSTITUTIONAL LIMITS FOR FUND'S OPERATIONS BE THEREFORE BROADLY DRAWN.

7. COMMENT: GOI POSITION AS EXPRESSED BY SHUKLA AND VAIDYA CAN BEST BE UNDERSTOOD IN THE LIGHT OF EMBASSY'S EARLIER MESSAGE (REFTEL) ON SECOND WINDOW ISSUE. WE NOTED THEN THE SENSE OF TRIUMPH ON THE PART OF THE GOI IN HAVING SUCCESSFULLY COMPLETED 18-MONTH LONG CAMPAIGN TO WIN G-77 ENDORSEMENT OF IMPORTANCE OF "OTHER MEASURES." IN LEADING G-77 AWAY FROM EXCLUSIVE EMPHASIS ON BUFFER STOCKING, GOI HAD THOUGHT ITS INTERESTS AND THOSE OF US COINCIDED.

8. EMBASSY BELIEVES MOST FRUITFUL WAY TO MEET INDIAN CONCERNS, AND DAMPEN GOI OPPOSITION TO OUR PREFERENCE FOR A RESTRICTED COMMOND FUND, WOULD BE TO REASSURE GOI OF GENUINE US COMMITMENT TO FINDING RESOURCES FOR MUTALLY AGREED "OTHER MEASURES." WE BELIEVE JUTE HOLDS THE KEY TO INDIAN ATTITUDES AND US INITIATIVE IN THIS AREA, WHICH COVERED PROBLEMS OF FINANCING, WOULD HAVE MAJOR IMPACT.  
GOHEEN

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## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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